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SUBJECT: CAMEROON'S COTTON SECTOR IN PAIN

¶1. (U) Summary: Cameroon, the seventh largest cotton producer in Africa, has seen the sector decline steadily since 2005. Contacts at Sodecoton, the government cotton parastatal, recently told the Ambassador and Emboffs that this was a result of lower world prices for raw cotton, a spike in fertilizer prices, uneven rains and low productivity. Sodecoton hopes for government subsidies in the short term but notes that the Government of Cameroon (GRC) has historically been unresponsive to the needs of the sector. Cameroon's cotton woes have pushed more than 100,000 people out of the sector, which accounts for up to 40 percent of cultivation in the impoverished north of the country. End summary.

Cotton in Context

¶2. (U) In 2007, Cameroon was the fifth largest producer of cotton in the CFA zone. In 2002, cotton production represented only 1.3 percent of Cameroon's GDP. However, in the three northern provinces of Far North, North and Adamaoua, it accounts for 20-40 percent of total cultivation (depending on the area) and employs over 300,000 farmers. The main buyers of Cameroon's cotton are China, Vietnam, India and Italy, which purchase 53,758 tons, 2,650 tons, 2,055 tons and 1,842 tons respectively. Cameroon also exports cotton to other countries in Europe and Asia, as well as elsewhere in Africa. Supplementing raw cotton exports are the products from Cameroon's nine cotton fiber processing factories and two cotton oil plants.

¶3. (U) There are two key players in Cameroon's cotton sector: Sodecoton and OPCC-GIE. Sodecoton is a parastatal operating in the three provinces of the Grand North; with 59 percent state ownership and 30 percent ownership by the French company DAGRIS. Its mandate is to promote cotton cultivation among local farmers, and to process cotton fibers and oil as well animal feed. OPCC-GIE is an organization of cotton producers created in July 2000 to protect the interests of cotton farmers. OPCC-GIE has more than 1700 adherent groups and sells much of its raw cotton to Sodecoton.

Sectoral Pains

¶4. (U) In a recent meeting with the Ambassador and an Embassy team visiting Garoua, the capital of North Province, Sodecoton Deputy General Manager Henri Clavier reported that total cotton production and land used for cultivation more than doubled between 1990 and 2005, when production peaked at over 300,000 tons. Production has since dropped steadily, he said, from 221,000 tons in 2006 to 141,000 tons in 2007. Sodecoton anticipates a slight recovery in production in 2008, at 160,000 tons.

¶5. (U) Nonetheless, Clavier estimates that Cameroon's profits from cotton production dropped from \$75 million in 2004/05 to \$15 million in 2007, and he expects the industry to run at a loss in 2008/09. Average profits per hectare of cotton cultivated reportedly fell steadily in the past three seasons to 53,640 CFA francs (\$115) per hectare in the 2007/08, less than half the 135,900 CFA (\$292)

average between 2000 and 2005. Production of other crops grown with cotton (sorghum, corn, ground nuts and others) has also dropped during this period.

¶6. (U) The sector has been hit by several challenges at once. The purchase price of Cameroonian cotton has been declining, from 190 CFA/kg in 2004/2005 to 175 CFA/kg in 2007/2008. Local contacts blame falling global cotton prices resulting from increased global production, decreased demand from China, and high competition from synthetic fibers. Meanwhile, the global price of fertilizer has been steadily rising, causing farmers to use less of it. This together with uneven rains resulted in a substantial drop in cotton productivity in Cameroon during this period, by almost 400kg/hectare - about one third. Farmers in the region have abandoned some 20,000 hectares, or 15 percent of cotton sown.

The Way Forward

¶7. (U) Clavier highlighted the need to improve productivity of cotton in Cameroon through training, investments in equipment, and better management techniques. He also saw the need to diversify sources of fertilizer and encourage crops which need less fertilizer, although he saw these as long term goals.

¶8. (U) However, with the tripling of fertilizer prices between October 2007 and September 2008, he argued for a \$30 million government subsidy. He also hoped the GRC would create a \$70 million rolling fund to help finance and cushion risk in the sector.

Without such a response, he argued that "the future of cotton production is in question."

Comment

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¶9. (SBU) Clavier commented that the government has not historically been responsive in the cotton sector. During the Ambassador's recent trip to the north, other contacts acknowledged the challenges of cotton but voiced optimism that Cameroonian producers would persevere. In an impoverished region with little industry and mainly subsistence agriculture, the survival of the cotton crop is key to the economic viability of the north, at least until there is greater diversification of agriculture in the region.

¶10. (U) While Sodecoton officials noted that U.S. cotton subsidies contribute to the pain of the sector here, other contacts did not raise the issue, as they had in past visits. This may result from a lack of awareness of the issues facing cotton but also seemed to reflect fatalism about poverty in the north.

¶11. (SBU) The sector also suffers from a fundamental lack of innovation, either in production methods or in management techniques. The General Manager of Sodecoton, Iya Mohamed, is also the President of the Cameroon Soccer Federation, another challenging full time job. As a result, Sodecoton lacks the full-time leadership at the top needed to get through its present difficulties.

GARVEY